

1 iterated, prototyped over time. I don't recall the  
2 exact like creation date or the exact launch date  
3 of xRapid ODL.

4 Q Okay. Was it in 2018 or earlier?

5 A Somewhere between 2017 and 2018.

6 Q Okay. And prior to the creation of  
7 xRapid, could people use XRP for cross-boarder  
8 payments?

9 A Yes, they could.

10 Q And what would they use?

11 A Well, to be specific you could use it for  
12 exchanging value. When you say, payments, that  
13 means that you have to find someone to clear it to  
14 local rails. So, I guess to answer the question, I  
15 mentioned internally to the XRP ledger, there's an  
16 exchange, there's the old gateway model. You know,  
17 you can conduct a cross-boarder payment using the  
18 XRP ledger native exchange and the gateway model.

19 Q So, were banks using XRP to conduct  
20 cross-boarder payments prior to the introduction of  
21 xRapid?

22 A I do not believe banks were using XRP  
23 ledger and exchanges and gateways.

24 Q And do you have an understanding of why  
25 banks didn't adopt XRP for this use?

1           A     Are you talking about early on? Or why  
2 they didn't use the XRP directly?

3           Q     Mm-hmm.

4           A     There's a whole host of reasons. One was  
5 privacy. It's a distributed decentralized ledger.  
6 Those properties make your, you know, your data,  
7 your trades all public. So privacy was one  
8 concern. Banks especially like to -- you can image  
9 banks would not want to know -- want -- would not  
10 want their customers to know what the FX rates are,  
11 it's proprietary. So that was one reason.

12                     And number two is performance. I  
13 mentioned XRP ledger although it's fast, five  
14 seconds, and it's not always five seconds.  
15 Sometimes it's less, sometimes it's more if  
16 technical issues. There are technical problems  
17 with banks using the XRP ledger, for example, banks  
18 want decimal precision. The XRP ledger does not  
19 give you decimal precision. And then I mentioned  
20 some of the user experienced challenges with early  
21 on, with liquidity.

22           Q     Who uses the xRapid product?

23           A     Financial institutions that have  
24 cross-boarder flows. As I mentioned earlier,  
25 primarily, remittance companies.

1 Q Is it aimed at non-banks?

2 A I don't know if I would say it's name --  
3 I mean what do you mean by is it --

4 Q -- aimed.

5 MR. CERESNEY: Aimed.

6 A Aimed, oh. Is it aimed at non-banks,  
7 that's a customer segment that has been leaning  
8 into using the product, yes.

9 Q Does xRapid create a way to use XRP  
10 without the financial institution actually holding  
11 XRP?

12 A Can you just -- I mean, can you define  
13 holding XRP?

14 Q Taking possession of it. Taking on risk  
15 related to XRP.

16 A Well --

17 MR. CERESNEY: Do you understand the  
18 question?

19 THE WITNESS: Yeah.

20 A I guess it's -- I guess it's a two-part  
21 answer. And when you say, risk, are you talking  
22 about regulatory risk or volatility risk, or --

23 Q Either.

24 A The regulatory risk, I'm not aware of, I  
25 don't know. The volatility risk, it's more along

1 the lines of the way that the product moves and how  
2 fast XRP works. There is very little volatility  
3 risk. That's only because financial institution is  
4 moving their value through XRP at the bridge  
5 currency in this context. Meaning, that what their  
6 usually holding as a sending institution is U.S.  
7 dollars. Only when they want to execute the trade,  
8 does the process kick off and on their behalf it's  
9 converted instantly to -- just the payment  
10 amount -- it's converted instantly to XRP moved and  
11 converted to Mexican pesos, for example. That  
12 whole process is only a few seconds. And so,  
13 that's essentially how the volatility risk is  
14 mitigated. It's more a property of how -- how fast  
15 XRP settles.

16 Q Does Ripple have charge for use of the  
17 xRapid product?

18 A I mentioned there's a -- I'm not sure if  
19 the actual all the logistics of the contract, but  
20 there is a contract where folks, you know, pay to  
21 use the -- well, I can't speak for all customers.  
22 But, at least some of the customers for ODL I know  
23 pay licensing fee or SAFs fee.

24 Q Is that in connection with use of  
25 xCurrent or xVia?



1           A     I -- I don't know 100 percent.  If -- I  
2     know that xRapid, some xRapid customers that only  
3     use xRapid in conjunction with RippleNet pay a  
4     subscription fee.

5           Q     Other than the subscription fee, how else  
6     does Ripple Labs make money from the xRapid  
7     product?

8           A     Primarily through the subscription fee.

9           Q     Does it make money from the sales of XRP  
10    related to the xRapid -- does it make money from  
11    the use XRP in relation to the xRapid product?

12           MR. CERESNEY:  Just so I understand the  
13    question; is the question if a financial  
14    institution is executing a trade through xRapid,  
15    does Ripple make money on that trade.

16           Q     No.  No, I mean just big picture.

17                   How does Ripple make money for xRapid  
18    other than the subscription fees.  And does  
19    xRapid -- does it -- more people use xRapid, is  
20    there an increase in demand for XRP?

21           A     Well, I'll break it down into the first  
22    question and then I'll answer the second question.

23                   In Silicon Valley it's very popular and  
24    very common for companies to evolve their business  
25    model over time.  That's especially true of

1 companies building a network. And when I'm  
2 referring to a network, I'm referring to the  
3 RippleNet network. And --

4 Q What is the RippleNet network refer to?

5 A The Ripple network refers to financial  
6 institutions that are --

7 Q No. I heard you say RippleNet, not  
8 Ripple network. Cause I'm not sure what you said,  
9 did you refer to RippleNet or the Ripple network?

10 A RippleNet, sorry.

11 Q Okay.

12 A So RippleNet is a -- is the bringing  
13 together of the difference financial institutions  
14 around the world that facilitate, you know,  
15 payments from different fiat currencies. So when  
16 you join RippleNet, folks are usually joining  
17 because they want a far better experience of  
18 sending U.S. dollars to Mexico or U.S. dollars to  
19 India, for example.

20 So the combination in bringing together  
21 all those different financial institutions from  
22 around the world, is referred to as RippleNet. And  
23 so, to answer the first part of your question,  
24 especially with network or marketplaces in tech and  
25 Silicon Valley, it's very common to have -- build

1 the network, and then later on the monetization  
2 later.

3 And so while we have subscription fees,  
4 we haven't build other services. You know, data  
5 services and so forth, that we can offer our  
6 customers on RippleNet. But the play book for most  
7 of the Silicon Valley companies building a network  
8 or a marketplaces to first build up a network and  
9 then later the monetization later. So that's there  
10 first part.

11 The second part was, does the xRapid  
12 product create more demand from XRP. And the way  
13 that the product works is that it's -- it's  
14 canceled out. So you have one trade on the  
15 Bitstamp side, which actually converts U.S. dollars  
16 to XRP, so if you're gonna send a million dollars,  
17 for example, you buy a million dollars worth of  
18 XRP. But then that is canceled out on the other  
19 side because what is happening is that the XRP is  
20 sent to the exchange, for example, in Mexico, but  
21 then that XRP is the exact same amount minus some  
22 fees, is sold for pesos. So it's -- it just  
23 cancels each other out in bookkeeping.

24 Q My question is, if you have more  
25 customers, more MoneyGram, more entities like

1 MoneyGram signing on to use xRapid, are you going  
2 to have more demand for XRP tokens?

3 A The way the product works today, there  
4 would be -- they would cancel each other out. So,  
5 there'd be no new demand for XRP.

6 Q If you have more transaction volume  
7 through xRapid, would you need -- would that create  
8 more demand for XRP tokens.

9 A Net zero impact to the demand for XRP as  
10 the product is designed today.

11 Q What sort of inference -- we spoke a lot  
12 today about liquidity. Other than liquidity, what  
13 other infrastructure is needed to support the  
14 xRapid product?

15 A Probably summarize as such as possible.  
16 I mean, there's a lot of -- there's a lot of nuance  
17 to the answer.

18 Do you want me to move beyond exchanges  
19 or should we just start with exchanges?

20 Q If you could just tell me from a -- just  
21 because it's late in the day, just from a very  
22 general perspective, what categories similar to  
23 liquidity are needed for the product to be  
24 successful.

25 Or what's needed for people in order for



1 banks and non-banks to use xRapid?

2 A So, there are the exchanges. You need  
3 two exchanges that provide -- you can think of them  
4 as the on-ramp. So taking fiat on, and then  
5 converting it, which means the liquidity. And then  
6 you need the flip side of that on the receiving  
7 end, so the off-ramp. The fiat -- so that's one  
8 component, those are like the exchanges, that's  
9 pretty much like liquidity. You also need some  
10 sort of processor that will, you know, be your  
11 on-ramp for U.S. dollars. They're called ACH  
12 processors in the United States, they're called  
13 clearer in other countries.

14 But -- so you need the ACH on-ramp  
15 processor on the U.S. side, and then on the  
16 Bitstamp side you need a local clearer into the  
17 SPEI rails. The SPEI rails are similar to ACH in  
18 the United States or FPS in the UK. But they  
19 provide instant connectivity into 90-percent of the  
20 banks in Mexico.

21 You need software. Redundancy exchanges  
22 often go down, you need the software that will fail  
23 over if things are going down. Retry transactions,  
24 there's a lot of logic in terms of the software  
25 that we're trying to build to facilitate mission



1 critical payments. You need security.

2 So, a lot of security practices, security  
3 provisioning to help folks securely use the  
4 product. There are kind of keys to access our  
5 technical products. You need cloud infrastructure.  
6 Cloud infrastructure is, if you've heard of Amazon,  
7 AWS, it's a software that's put into the AWS that  
8 is already pre-compiled and ready to run. Makes it  
9 a lot easier for financial institutions to use that  
10 product.

11 Q You spoke about the two exchanges, the  
12 on-ramp and the off-ramp.

13 Did Ripple provide incentives for these  
14 exchanges to offer the xRapid product?

15 A Just to be clear, the exchanges don't  
16 offer the xRapid product. Ripple offers the xRapid  
17 product.

18 MR. HECKER: To financial institutions.

19 THE WITNESS: To financial institutions.

20 Q I'm just a little confused. So, I know  
21 that in August 2018, the company announced that  
22 there was a partnership with Bitrix in connection  
23 with the xRapid product.

24 So, how is that partnership different  
25 than just providing incentive to an exchange to

1 list XRP?

2 A Okay. So, to -- you know, outside of  
3 XRP, we need the exchanges to do certain things to  
4 facilitate a payment. And they're certain changes  
5 that they need to make in their code base to  
6 facility xRapid payments. One example I had  
7 mentioned, is that they need to be able to clear on  
8 to local rails instantly, so pesos into the SPEI  
9 network. That's one example.

10 Other examples could be they need to  
11 adhere to the travel rule. So that, you know, a  
12 payment is passing through them, they need to file  
13 that or keep record of that. Those are things that  
14 they do not -- well, at least they don't believe  
15 they need to do under their traditional business.  
16 So those are two examples.

17 Q Okay. Let's quickly talk about  
18 MoneyGram.

19 What was the -- what is the importance of  
20 the MoneyGram partnership to Ripple?

21 A It's a well known household brand using  
22 Ripple products. So I think that's -- that has an  
23 effect of bringing other clients of it's size and  
24 customers of it's size on to RippleNet.

25 There's also, you know, what perception

1 using blockchain technology, using virtual  
2 currencies, digital assets in production and  
3 commercial use, you know, we're an innovator in  
4 that space. And, you know, my experience financial  
5 institutions are -- they move in herds. You know,  
6 no one wants to be the first, but once one commits,  
7 then, you know, it sort of paves the way.

8 Banks get more -- the underlying banks  
9 get more comfortable, the state-by-state money  
10 transmitters get more comfortable. So there are a  
11 lot of great aspect that MoneyGram provided to  
12 Ripple. Product feedback. You know, you have a  
13 company that is really, you know, innovative -- is  
14 trying to, you know, push the envelope in terms of  
15 the experience they want to deliver to their  
16 customers. So, you know, product feedback they  
17 provide us is also outstanding.

18 Q As part of Ripple's deal with MoneyGram  
19 did it agree to use the xRapid product and XRP for  
20 cross-boarder payments?

21 MR. CERESNEY: Did MoneyGram agree.

22 MS. WAXMAN: Yeah. Yeah.

23 A I believe so, yes.

24 Q Did you have discussions with anybody  
25 concerning MoneyGram's use of xRapid and XRP for

1 cross-boarder payments?

2 A Can you ask that again, please?

3 Q Did you discuss with anyone at Ripple  
4 MoneyGram's agreement to use xRapid and XRP for  
5 cross-boarder payments?

6 A Yes.

7 Q And what did you discuss?

8 A With the legal team, I talked a little  
9 bit about --

10 MR. HECKER: Skip the legal team.

11 MR. CERESNEY: Separate and apart from  
12 your discussion with the legal team.

13 A With one engineer and one product  
14 manager, discussed the flow of how the product  
15 would function.

16 Q Did you discuss that the partnership  
17 would increase demand for XRP token?

18 A No.

19 Q Did you discuss with anybody that the  
20 partnership with MoneyGram would work to establish  
21 a use case for the XRP tokens?

22 A No.

23 MS. WAXMAN: Just another 15 minutes and  
24 we'll be done.

25 MR. CERESNEY: Okay.

1 Q Are you familiar with an entity called  
2 Coinbase?

3 A Yes.

4 Q Okay. How do you know Coinbase?

5 A Coinbase at one time was one of the  
6 larger exchanges around the world. Their offices  
7 are located in San Francisco as well. They were  
8 founded around the same time as Ripple.

9 Q Is XRP listed on Coinbase's platform?

10 A Yes. I believe so.

11 Q Did you have any discussions with anyone  
12 at Ripple regarding Coinbase listing of XRP?

13 A From -- yes.

14 Q Okay. When was your first discussion?

15 A I don't remember.

16 Q When did Ripple first -- did Ripple  
17 submit an application for listing with Coinbase?

18 A I don't know if they formally submitted  
19 an application.

20 Q Did they engage in discussions with  
21 Coinbase on multiple occasions regarding listing?

22 A I do not know.

23 Q Did you ever discuss with anyone at the  
24 company a rejection by Coinbase or a decision by  
25 Coinbase not to list XRP in 2017?



1           A     There's a discussion. I don't remember  
2     if the discussion was specifically regarding a  
3     concrete decision not to list XRP.

4           Q     What was the discussion about?

5           A     It was, you know, from my role as  
6     product, it was -- my recollection it was a -- it  
7     was trying to clarify a technical misunderstanding  
8     they had with the products and our -- and our  
9     product strategy.

10          Q     What do you mean technical  
11     misunderstanding?

12          A     What I mean by that, it was -- it was  
13     something you -- I don't recall a hundred percent  
14     specific, but it was something around how the  
15     product worked or who were -- who was buying the  
16     product. Who is using our product, the Ripple  
17     enterprise product. That was one discussion that  
18     we had.

19          Q     When did Coinbase list XRP for trading?

20          A     I don't remember.

21                 MR. DANIELS: Sorry, can you -- just go  
22     back to that. You said you thought there was a  
23     misunderstanding about who was using the product.

24                 Can you elaborate on what the  
25     misunderstanding was?

1 THE WITNESS: From my recollection, the  
2 misunderstanding was that potentially only banks  
3 were using RippleNet. And I wanted to clarify  
4 that it was, you know, other financial  
5 institutions using RippleNet. So that was one  
6 clarification.

7 Q Do you know [REDACTED] -- I don't know his  
8 last name who works at Coinbase?

9 A I know [REDACTED] He's a  
10 former employee of Coinbase.

11 Q And what was his role at Coinbase?

12 A I don't know.

13 Q Did you have any conversations or  
14 communications with him about listing XRP on  
15 Coinbase's platform?

16 A I don't recall.

17 MS. WAXMAN: Let's mark this.

18 (SEC Exhibit No. 7 was marked  
19 for identification.)

20 Q I'd like to show you what's been marked  
21 as Exhibit 7. Please take a moment to look at it  
22 and let me know when you're done.

23 (Witness complies.)

24 Do you recognize what's been marked  
25 asking Exhibit 7

1 A I don't recognize this e-mail.

2 Q What is the e-mail about?

3 A So --

4 Q I'll ask another question.

5 Why were you going to meet with [REDACTED]  
6 from Coinbase?

7 A [REDACTED] and I know each other from his  
8 days previous to Coinbase. He is a thought leader  
9 in the crypto space. He -- sorry, in the  
10 blockchain, digital asset currency space.

11 He -- he's a bit of a mentor, so, you  
12 know, I try to learn from him. We share ideas  
13 about crypto, blockchain, virtual currencies. This  
14 meeting, my recollection is that [REDACTED] wears a lot  
15 of hats. In this context, he was wearing his, you  
16 know, sort of like blockchain expert hat. He had  
17 met with -- with Brad and really didn't understand  
18 the product strategy at Ripple.

19 He hadn't heard of spring, and so I  
20 thought, maybe it might be a good opportunity. We  
21 hadn't spoken in probably 18 months, I thought it  
22 would be a good idea to follow-up on his  
23 conversation, you know, with Brad.

24 And so, we scheduled some time. And I  
25 believe -- I don't actually remember if we ended up

1 meeting or not. But we definitely tried to  
2 schedule something.

3 Q And, when you said he met with Brad, do  
4 you know when that meeting was?

5 A I don't know. I mean it's referenced  
6 here, but I don't know exact when it was.

7 Q Okay. But close in time to this e-mail?

8 A I do not recall.

9 Q And do you know what the meeting was  
10 about -- or strike that.

11 Did Brad and [REDACTED] discuss listing XRP  
12 on Coinbase's platform?

13 A I don't know.

14 Q Did -- was a listing -- was an XRP  
15 listing in Coinbase important to Ripple?

16 A From the product perspective with ODL or  
17 xRapid we're always looking for, you know, better  
18 partners that can provide, as I mentioned, the  
19 on-ramps. Coinbase had solid banking  
20 relationships, they have money transmission  
21 licenses in 50 states. So, you know, working with  
22 Coinbase was advantageous -- could -- potentially  
23 could be advantageous to the ODL xRapid product.

24 Q And more broadly, was an XRP listing  
25 important for Ripple for other reasons?

1 A I don't know.

2 Q Was Ripple Labs willing to pay Coinbase  
3 to list XRP on it's platform?

4 A I don't know.

5 Q Did [REDACTED] or anyone else as Coinbase  
6 request a listing fee in exchange for making XRP  
7 available for trading on the platform?

8 A I don't know.

9 (SEC Exhibit Nos. 8 and 9 were  
10 marked for identification.)

11 Q Please take a look at what's been marked  
12 as Exhibits 8 and 9.

13 (Witness complies.)

14 A Did you want me to read?

15 Q Take a moment. Look at it, familiarize  
16 yourself with it, if you're not familiar with it  
17 already.

18 A I'm not -- I'm not familiar with either.

19 (The witness examined the document.)

20 Q Do you recall receiving the e-mail that's  
21 marked in Exhibit No. 8.

22 A I do not.

23 Q Did you -- have you ever seen the -- have  
24 you ever seen what's been marked as Exhibit No. 9?

25 A I do not recall.



1 Q Did you ever discuss the draft agreement  
2 with anyone at Ripple?

3 A Are you referring to --

4 Q Exhibit --

5 A -- Exhibit 9?

6 Q Yes.

7 A I do not recall.

8 Q How was the agreement received by the  
9 company?

10 A I don't know.

11 Q Was -- did Ripple ultimately enter into a  
12 listing agreement with Coinbase?

13 A I don't know.

14 Q What do you know about how XRP came to be  
15 listed on the Coinbase platform?

16 A I saw a CoinDesk article stating that XRP  
17 was listed at Coinbase.

18 Q Outside of the public announcement, did  
19 you have any discussions with the company -- anyone  
20 at the company about a potential listing of XRP on  
21 the platform?

22 A I don't know.

23 Q Was the announcement the first time that  
24 you learned that XRP would be traded on Coinbase's  
25 platform?

1           A     Specifically what I recall is I read on  
2     coin -- CoinDesk, a publication that covers  
3     blockchain, that XRP was listed at Coinbase.

4           Q     Was that the first time that you learn --  
5     was that the first time that you learned that XRP  
6     was listed at Coinbase?

7           A     I believe so, yes.

8           Q     Okay. So from the time that you received  
9     this e-mail, to the time that you saw the public  
10    announcement, you didn't have any conversation with  
11    anybody about listing the -- whether XRP would be  
12    listed at Coinbase?

13          A     I don't know.

14          Q     You don't know or you don't recall or no.

15          A     I don't recall.

16          Q     Okay. Did you discuss with Brad  
17    Garlinghouse that he was willing to pay up to [REDACTED]  
18    [REDACTED] to list XRP on Coinbase's platform?

19                MR. CERESNEY: I don't know if this is  
20    saying he's paying [REDACTED] dollars.

21                MS. WAXMAN: No, I'm not referring to  
22    this.

23                MR. CERESNEY: Okay. Separate and apart  
24    from Exhibit 9, your question is, do you recall  
25    ever learning that.

1           A     I do not recall being aware of the --  
2     anything regarding a listing fee.

3           Q     Separate from **Coinbase**, did you ever have  
4     any discussion with anybody at the company about  
5     paying any exchange to list XRP on it's platform?

6           A     I don't recall.

7           Q     Did you ever discuss with anyone over at  
8     Ripple it's willingness to pay **Gemini** to list XRP  
9     on the platform?

10          A     I don't recall.

11                         (SEC Exhibit No. 10 was marked  
12                         for identification.)

13          Q     Did **Coinbase** provide custody services  
14     related to XRP?

15          A     I don't know for certain.

16          Q     Did you ever have conversations with  
17     anyone about XRP and **Coinbase** providing custody  
18     services related to XRP?

19          A     Yes, I believe so.

20          Q     Who did you discuss that with?

21          A     I don't remember all the participants in  
22     the room.

23          Q     What was discussed?

24          A     **Coinbase** was -- **Coinbase** was launching a  
25     new service for digital asset of virtual currency

1 custody. They talked about how that service works,  
2 the general timelines for that service.

3 Q Was that service for people who held XRP;  
4 so market makers, hedge funds, large investors in  
5 XRP?

6 A I don't -- I don't believe we talked  
7 about specific target segments. That wasn't the  
8 purpose from my recollection.

9 Q So, would Coinbase custody -- would  
10 Coinbase custody Ripple's XRP or were they seeking  
11 to custody XRP held by other people?

12 A I don't remember if the conversation that  
13 we had was talking about customer segments or who's  
14 digital assets or virtual currencies, it was from  
15 my recollection, it was more first-time people were  
16 going to be launching this product at some point.  
17 Here are it's capabilities, here's the general road  
18 map. It was not, from my recollection, a long  
19 meeting.

20 Q Would there be any reason why Ripple  
21 would have Coinbase custody their XRP.

22 I understand, you know, if I were a  
23 holder and I wanted to ask a third party to  
24 custody, but I'm talking about, why would Ripple  
25 want another person to custody it's XRP?

1 MR. HECKER: You mean, would they. Would  
2 Ripple want that.

3 MS. WAXMAN: Yes. Would Ripple want  
4 that?

5 A I can only speak about technical reasons.  
6 I don't know any specifics about why for business  
7 reasons they would want to use -- or any business  
8 reasons driving that.

9 Q What are the -- and are there any  
10 technical reasons to custody XRP with another  
11 party.

12 A Yes.

13 Q Can you tell me the -- kind of a big  
14 picture.

15 A One, custody is never -- custody is never  
16 a hundred percent secure. And having redundancy is  
17 generally a good thing. For example, I don't keep  
18 all my money at [REDACTED] I have some at  
19 [REDACTED] some at other banks just in case  
20 something happens to one, I have, you know, other  
21 options.

22 And with InfoSec, which is information  
23 security or -- it's a common security practice to  
24 have multiple redundant options for securing keys,  
25 digital keys, I mean, crypto keys, custody of



1 assets and so forth. You don't want to have a  
2 single point of failure.

3 Q I'd like to show you what's been marked  
4 as Exhibit 10.

5 (The witness examined the document.)

6 Q Do you recognize what's been marked as  
7 Exhibit 10?

8 A I do not.

9 Q It's an e-mail from Miguel Vias to  
10 several people. You're one of them. It's from  
11 August 24, 2018 and the subject is: "Next steps on  
12 XRP custody." [REDACTED] from Coinbase is on the  
13 e-mail, so is [REDACTED] sorry if I  
14 mispronounced that, and that's it from Coinbase.

15 It says, "Thank you for coming by the  
16 office on Tuesday."

17 Do you recall meeting with folks from  
18 Coinbase in or around that time?

19 A I do not.

20 Q It says -- then is it says, "For next  
21 steps I propose the following: One, [REDACTED] to  
22 connect with [REDACTED], to set up a slide channel and  
23 start the integration."

24 Do you know what that is in reference to?

25 A I do not know for certain.

1           Q     Is that in reference to listing XRP on  
2     the platform?

3           A     Well, the third line says custody.

4           Q     Right. I just don't know if the e-mails  
5     is talking about listing and custody or just  
6     custody?

7           A     I do not believe I was at this meeting.  
8     Solely based on the subject line, it says, "XRP  
9     custody."

10          Q     Okay. Do you know if -- did Ripple and  
11     Coinbase enter into an agreement to custody a  
12     portion of Ripple's XRP?

13          A     In my role as product, you know, the  
14     business agreements are not something that I'm  
15     responsible for. And I don't know.

16          Q     You don't know whether or not -- weren't  
17     you in a leadership position at Ripple Labs?

18          A     I am. And was.

19          Q     And do you report to the CEO?

20          A     I do.

21          Q     Did you ever discuss with the CEO  
22     Coinbase?

23          A     Yes. I have discussed Coinbase.

24          Q     And what discussions did you have with  
25     the CEO about Coinbase?

1           A     As we're looking through, you know,  
2     partners for ODL or xRapid, I did an analysis on,  
3     you know, Coinbase and their relative liquidity  
4     market share compared to other exchanges. And was  
5     surprised to see it was so small.

6           Q     Did you recommend that Ripple try to list  
7     XRP on the platform?

8           A     I do not recall.

9           Q     Did Ripple pay a fee in connection with  
10    it's agreement to custody portion of it's XRP with  
11    Coinbase?

12           MR. HECKER: I don't -- sorry. I don't  
13    know that -- I mean I think he testified he  
14    doesn't know whether there was an agreement.

15           MS. WAXMAN: Okay. No problem.

16           Let's go off the record --

17           MR. DANIELS: I just have one questions  
18    about something you said. You said you performed  
19    an analysis and were surprised to see that  
20    Coinbase's liquidity share was so small.

21           Can you just explain what was?

22           THE WITNESS: Yeah. So, as I mentioned  
23    with ODL, the way that it functions it needs XRP  
24    liquidity. And -- and it helps to work with the  
25    most liquid exchanges. And I was just surprised

1 to see that Coinbase is not one of the top liquid  
2 exchanges.

3 MR. DANIELS: And were you using that  
4 analysis to target the most liquid exchanges for  
5 XRP?

6 THE WITNESS: For ODL specifically, as I  
7 mentioned --

8 MR. DANIELS: Yes.

9 THE WITNESS: -- you want liquid changes.  
10 And so that's a function of the product.

11 Q Were there other changes in the U.S. that  
12 were -- had more liquidity and would be a  
13 beneficial partner for ODL?

14 A Beyond the ones that we are working with,  
15 the recommendation was to stay the course.

16 Q And which exchanges were you working  
17 with?

18 A Specifically the exchanges that we're  
19 working with for the ODL product today are  
20 Bitstamp. Only Bitstamp from my recollection.

21 Sorry -- on the -- that's on the U.S. dollar side,  
22 on the origination side.

23 Q Did you have a partnership with Bitrix?

24 A We had a partnership with Bitrix, yes.

25 Q Did that end?

1           A     I don't know specifics of the contractual  
2 obligations have ended.

3           MR. DANIELS: Do you recall where Bitrix  
4 fell within that analysis in terms of the  
5 liquidity share.

6           THE WITNESS: I don't remember. I don't  
7 recall.

8           MS. WAXMAN: Okay. We're off the record  
9 at 5:17 p.m.

10           (A brief recess was taken.)

11           MS. WAXMAN: We're back on the record at  
12 5:22.

13           Q     Mr. Birla, while we were off the record,  
14 did you have any substantive discussions with the  
15 staff?

16           A     No.

17           MR. TENREIRO: Mr. Birla, couple of just  
18 quick questions to clarify.

19                     Is it fair to say that it's your  
20 understanding that the price of XRP fluctuates,  
21 vis-a-vis the price of other assets, such as U.S.  
22 dollars or Bitcoin?

23           THE WITNESS: It's my understanding that  
24 it fluctuates against U.S. dollar. It's highly  
25 correlated with Bitcoin.



1 MR. TENREIRO: Okay. And fluctuates  
2 against U.S. dollars?

3 THE WITNESS: Yes. That's my  
4 understanding.

5 MR. TENREIRO: Okay. And if the price of  
6 XRP did not fluctuate and were fixed, would the  
7 xRapid product still work?

8 THE WITNESS: Well, there's probably a  
9 lot of nuance in the answer. But, technically the  
10 answer to that is the only way it wouldn't  
11 fluctuate is if it was in U.S. dollar.

12 MR. TENREIRO: My question is, if the  
13 price of XRP did not fluctuate against the U.S.  
14 dollar, but were in fact fixed against the U.S.  
15 dollar, such that you could always obtain a  
16 certain amount of XRP for a certain amount of U.S.  
17 dollars, would the xRapid product work?

18 THE WITNESS: Are you asking if the -- if  
19 XRP was pegged to the U.S. dollar --

20 MR. TENREIRO: Yeah.

21 THE WITNESS: -- meaning dollar -- would  
22 the product still work?

23 MR. TENREIRO: Yeah.

24 THE WITNESS: The technical is that if  
25 it's pegged to the U.S. dollar you introduce a

1 counter-party. So it's not trustless anymore.  
2 Someone -- some entity is going to manage that peg  
3 to the U.S. dollar.

4 MR. TENREIRO: What if the -- what if the  
5 XRP simply is just valued by Ripple when it sells  
6 it at, you know, 1 dollar per XRP?

7 THE WITNESS: Then -- I don't understand  
8 how that would work technically.

9 MR. TENREIRO: Well, why does the price  
10 of xRapid need to fluctuate -- I'm sorry, of XRP  
11 need to fluctuate for xRapid to function?

12 MR. CERESNEY: I don't think he said it  
13 does.

14 MR. TENREIRO: Does it?

15 THE WITNESS: What -- what I'm saying is  
16 like to -- technically it's a counter-party free  
17 asset. Since it's a counter-party free asset it  
18 is going to fluctuate against the U.S. dollar.  
19 That's just by definition what a trustless  
20 counter-party free asset works.

21 If it weren't counter-party free and it  
22 didn't fluctuate, then that would be pegged to the  
23 U.S. dollar. Those are called stablecoins. And  
24 with stablecoins you have a counter-party and it's  
25 not trustless anymore.

1           So, my answer is, if it was a stablecoin  
2     like, U.S. dollar stablecoin, the product doesn't  
3     function because you introduced a counter-party.

4           MR. TENREIRO:   What about listing the XRP  
5     on something like Coinbase.

6           Does it need to be listed on Coinbase for  
7     xRapid to function?

8           MR. CERESNEY:   I think you missed this  
9     portion of the questioning.   Because Daphna did  
10    ask, you know, about how the originating -- I  
11    mean, there was some colloquy about how xRapid  
12    works and how it originally you had to trade it   on  
13    one exchange and then --

14          MR. TENREIRO:   I was here.

15          My question, does it have to be on like a  
16    DEX like Coinbase, why can't it just be on, for  
17    example, you know, Ripple's own DEX for people to  
18    obtain the XRP that they're using in connection  
19    with xRapid?

20          THE WITNESS:   Cause -- I think you're  
21    referring to the XRP ledger DEX.

22          Ripple does not operate a DEX.

23          MR. TENREIRO:   Yeah.   I understand the --  
24    thank you.

25          The DEX that's on the XRP -- that is on

1 the XRP ledger.

2 THE WITNESS: So there are a lot of  
3 reasons why that potentially wouldn't work. For  
4 technical reasons, I can skip over that for now.  
5 The liquidity reasons are that, I mentioned -- I  
6 think you may have -- I think you weren't here.

7 MR. TENREIRO: When you talked about how  
8 it was less liquid at some point.

9 THE WITNESS: Yeah. So like liquidity in  
10 general in digital assets, virtual currencies has  
11 moved to centralized exchanges. I think if you  
12 took all the DEXs out there today, and compared it  
13 to a top 50 exchange, I don't think it would even  
14 match a 50 exchange out there in terms of  
15 liquidity. And liquidity is paramount to the  
16 experience that we can offer with xRapid and ODL.

17 MR. TENREIRO: So that people can quickly  
18 obtain the XRP they need to affect the transaction  
19 from one country to another, for example?

20 THE WITNESS: Speed is not -- I mean, in  
21 an indirect way speed is partially what you want  
22 liquidity. But the main reason is because, I'd  
23 mentioned earlier on, we had the idea for ODL and  
24 xRapid, but there wasn't enough liquidity in the  
25 markets or enough exchanges. Those are the two



1     gaining factors. And if there's not enough  
2     liquidity in the exchanges what that constrains is  
3     basically how much you can move across borders.  
4     It's tough find clients that only want to move --  
5     for example, in 2015 I looked at it and you could  
6     move maybe a hundred thousand dollars total.

7             So finding customers, it just became very  
8     difficulty. So we need -- for the ODL xRapid  
9     product to flourish, and to provide a great  
10    customer experience, that's my job, I need  
11    liquidity, I need on and off-ramps and those are  
12    things that centralized exchanges provide.

13            MR. TENREIRO: Right. So the answer to  
14    my question is, the centralized exchange is  
15    providing liquidity in other words for the  
16    product.

17            THE WITNESS: They provide liquidity and  
18    they provide the on-ramp in the case of Bitstamp  
19    and then the off-ramp in the case of Bitso,  
20    off-ramp going out to local rails in Mexico. So  
21    there's two point charts.

22            MR. TENREIRO: But you still need the  
23    centralized exchange. You need it, is what you're  
24    saying.

25            THE WITNESS: It's a -- yeah -- it's a



1 pillar of the product.

2 MR. TENREIRO: Okay. And those are --  
3 would you described those as trustless or some  
4 counter-party risk?

5 THE WITNESS: Well, there's U.S. dollar  
6 counter-party risk at the -- at the exchanges.

7 MR. TENREIRO: And there's -- okay.  
8 That's all.

9 MS. WAXMAN: I mean, at some point you  
10 could have a DEX that has a huge market share  
11 also.

12 THE WITNESS: And the --

13 MS. WAXMAN: There's no question.

14 MR. HECKER: No question. Just  
15 confirmation.

16 Q If you had a DEX that had a huge market  
17 share, would -- could you use DEX in connection  
18 with the xRapid product?

19 A Is this on the -- I mean -- I guess,  
20 yeah. So the -- yeah, you could.

21 MR. TENREIRO: You're on the record.

22 MR. CERESNEY: Yeah, it's on the record.

23 MS. WAXMAN: Yeah.

24 A So I guess is the question, if DEX had  
25 liquidity, could you use a DEX?

1 Well, that solves the liquidity portion,  
2 but then you have the on a -- on and off-ramp  
3 portion. And that's another thing that the  
4 exchanges provide. So, you can look at an entity  
5 like Bitso and what Bitso provides is that  
6 liquidity, and to your point, that's potential that  
7 could move to a DEX. But then someone -- then  
8 they'd be stuck on that DEX. And what the -- what  
9 Bitso also provides is that connection to all the  
10 other banks in Mexico via the local clearing  
11 portion of it.

12 And, per earlier conversation, those are  
13 things that they provide to facilitate a  
14 cross-boarder payment product. They also have to  
15 adhere to local regulations, adhere to the travel  
16 rule, adhere to something leading to other stuff  
17 like FATIF and stuff like that, but it's beyond  
18 my --

19 MS. WAXMAN: Well, we want to thank you  
20 very much for coming here today. I know it's been  
21 a long day and we appreciate it.

22 I want to give counsel an opportunity to  
23 make any statements, ask any questions, clarify  
24 anything.

25 MR. CERESNEY: We don't have anything.

1 MS. WAXMAN: Okay. So that concludes  
2 today's testimony.

3 If there is anything else that we need to  
4 ask you, we'll reach out to your counsel.

5 It is 5:31 and we're off the record.

6 (Whereupon, at 5:31 p.m., the examination  
7 was concluded.)

8 \* \* \* \* \*

PROOFREADER'S CERTIFICATE

In The Matter of: RIPPLE

Witness: Asheesh Birla

File Number: NY-09875-A

Date: Thursday, December, 5, 2019

Location: New York, NY

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